

**TESTIMONY OF THE
AMERICAN PUBLIC TRANSPORTATION ASSOCIATION
BEFORE THE
HIGHWAYS AND TRANSIT SUBCOMMITTEE
OF THE
HOUSE TRANSPORTATION AND INFRASTRUCTURE COMMITTEE
ON COMPREHENSIVE REAUTHORIZATION PROPOSALS**

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SUBMITTED BY

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APTA is a nonprofit international association of over 1,400 public and private member organizations including transit systems and commuter rail operators; planning, design, construction and finance firms; product and service providers; academic institutions; transit associations and state departments of transportation. APTA members serve the public interest by providing safe, efficient and economical transit services and products. Over ninety percent of persons using public transportation in the United States and Canada are served by APTA members.

INTRODUCTION

Mr. Chairman, thank you for this opportunity to testify on the reauthorization of the Transportation Equity Act for the 21st Century (TEA 21).

APTA's more than 1,400 member organizations serve the public interest by providing safe, efficient, and economical public transportation service, and by working to ensure that those products and services support national energy, environmental, community, and economic goals. APTA public and private member organizations include transit systems; commuter railroads; design, construction, and finance firms; product and service providers; academic institutions; and state associations and departments of transportation. More than ninety percent of the people who use transit in the U.S. and Canada are served by APTA member systems.

TEA 21 WORKS!

Mr. Chairman, we thank you, and the Transportation and Infrastructure Committee, for crafting the Transportation Equity Act for the 21st Century (TEA 21), which has so effectively improved the industry's ability to meet demands for capital investment and service. The legislation has clearly and significantly improved our industry's ability to meet the growing demands for service in urban, suburban, and rural communities throughout America. The predictability of annual federal funding under the guarantees established in TEA 21 has been very helpful to transit agencies as they develop and annually update multi-year capital investment programs. It helps them to operate in a businesslike fashion, and gives them better access to private market financing that supplements federal, state and local resources.

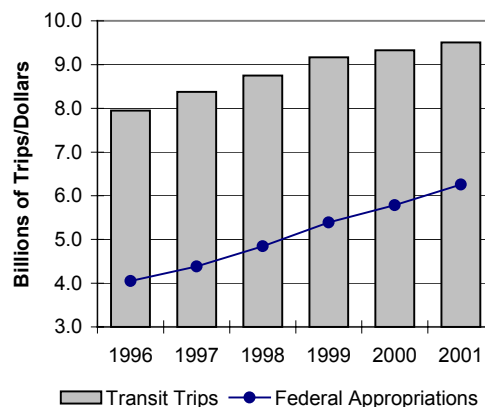
As Ridership Climbs, So Do Needs

Of all TEA 21's tangible results, none is more evident than its impact on transit ridership. More and more people are choosing to use public transportation every day, and the numbers speak for themselves. Thanks in large part to Congress' investment in the federal transit program, public transportation is experiencing a renaissance. Americans used public transportation a record 9.5 billion times in 2001, and transit ridership has grown 22% in the last six years. During that period, transit use has grown faster than the population (8.4%), highway use (14.7%), and domestic air travel (12.5%; 19% prior to 9/11/01).

This ridership growth can be tied to TEA 21, which has brought specific improvements to transit infrastructure. For example, since 1997 the average age of buses has fallen 20% (from 8.7 years to 6.9 years); of light rail vehicles, 18% (from 21.8 years to 17.9 years); and of vanpool vehicles, 33% (from 3.3 years to 2.3 years). New vehicles mean more reliable service and a better, more comfortable ride.

Despite this progress, transportation experts agree that our annual capital investments still fail to keep pace with the increasing demand for public transportation. Transit industry needs, from all sources, for capital, planning, and research will average more than \$42 billion per year, between Fiscal Year (FY) 2004 through FY 2009, according to three separate reports: an APTA Transit Needs Synthesis Report; a report by Cambridge Systematics, Inc.; and the just-issued AASHTO Bottom Line Report. This demand for more investment includes new rail starts, buses and related facilities, rail modernization, core capacity improvements, preventive maintenance, paratransit, and numerous other purposes across the country in large metropolitan areas and rural communities alike. American voters are responding to these needs by supporting transit finance initiatives in many communities around the country.

**Transit Ridership Growth
and TEA 21 Investment**



OVERVIEW

Mr. Chairman, APTA's member organizations formed a Reauthorization Task Force in late 2000, which has been meeting regularly to develop recommendations on the federal transit program for the upcoming reauthorization of TEA 21. In that regard, the Task Force, which represents APTA's broad and diverse membership, has carefully collected its recommendations on transit program objectives, funding principles, and policy and regulatory changes into a comprehensive document, which we are pleased to submit for the record. While APTA's Board of Directors has not yet approved this proposal, they are expected to act on the Task Force recommendations at our annual meeting this weekend. We are pleased today to present an overview of the Reauthorization Task Force's comprehensive proposal for the upcoming TEA 21 reauthorization.

America's Transportation Future: A National Outlook

APTA envisions a national transportation system where all modes function together to provide safe, secure and reliable mobility to an ever growing and changing traveling public. This will empower Americans with the choices to pursue their livelihoods and enrich their lives. Our national transportation policy must enhance communities by providing opportunity for personal mobility and freedom. Having mobility choices is critical for our transportation system to function. We believe that the entire system works better if the different modes complement one another.

Accordingly, our national transportation policy must:

- Provide **safe, secure and reliable mobility options** as an integrated part of a balanced transportation system.
- Recognize public transportation as a way to provide all Americans, from all walks of life, **access to social and economic opportunity** to enrich their lives and their communities.
- Invest in the development of transportation system capacity needed to **enable economic growth**, and **reduce traffic congestion** and its adverse effects on families and economic productivity.
- Recognize the central **role of public transportation in achieving other critical national policy goals**, including national security, cleaner air, conserving energy resources and reducing dependency on foreign oil, and enhancing educational opportunity.
- Build on the success of the Transportation Equity Act for the 21st Century (TEA 21), and the Intermodal Surface Transportation Efficiency Act (ISTEA) and provide for **significant increases in investments for highways and public transportation**.

THE APTA PROPOSAL

Mr. Chairman, we can summarize our proposal under three broad themes:

- Grow the program;
- Maintain the funding guarantees; and
- Expedite program delivery.

GROW THE PROGRAM

With documented needs in excess of \$42 billion a year, the recommendations of the Reauthorization Task Force call for continued growth of guaranteed funding for the federal transit program at no less than 12% annually, which would increase guaranteed funding from \$7.2 billion in FY 2003 to \$14.3 billion in FY 2009. The Task Force proposal would effectively build on the existing program in a number of ways. It stresses continued growth of the surface transportation program, preservation of the funding guarantees, retention of the basic program structure and flexibility provided under current law, and improvements in program delivery.

OUTLINE OF FUNDING RECOMMENDATIONS

While we are submitting a more detailed summary of our Task Force recommendations for the record, it may be helpful to explain the highlights of the proposal. Under the Task Force recommendations, all existing programs would be funded at a hold-harmless level based on the FY 2003 TEA 21 guaranteed level. Any new programs or changes in existing programs would be made with funding increases.

As the program grows, the Task Force recommends that about 55% of growth over the life of the bill go right back into the existing program structure. Over and above that growth, Mr. Chairman, our proposal has provisions that address and place special emphasis on the clear needs of smaller area and rural systems.

- A new tier would be added to the Bus Capital Investment program, funded at \$100 million in FY 2004, for replacement of aging vehicles in urbanized areas of less than one million people and rural areas.
- A new tier would be added under the small urbanized area formula program, funded at \$35 million in FY 2004, which would be distributed among areas in that category where transit is intensively used consistent with the findings of the TEA 21-mandated study on this issue.
- Funding for the rural formula program would be increased by \$35 million in FY 2004, over and above funding increases for the existing program.

The following changes in the existing program are also recommended:

- Funding increases, over and above increases for the existing program, are provided for the New Starts program, the Bus and Bus Facility program, and the Fixed Guideway Modernization program.
- A directed funding increase of \$15.6 million would be provided in FY 2004, and of \$6.3 million in subsequent years, for five research and education programs that received little or no funding increases over the last two authorization periods.
- Regardless of all of the above changes, funding for transit formula programs would never be less than \$1.15 for every \$1.00 in funding under the Capital Investment program (New Starts, Fixed Guideway Modernization, and Bus programs). This was a recognition of the importance of formula funding for all transit agencies.

Other Key Issues

We believe it is critically important to maintain the 80% federal share for public transportation projects from TEA 21. While we recognize the significant and growing desire for new start funding, we are concerned about the important transportation policy principle of a “level playing field” between transit and highway programs. The federal share for both programs should be the same.

We want to emphasize the importance of preserving and enhancing the flexibility provided for highway and transit programs as authorized in ISTEA and TEA 21. Between FY 1998 and FY 2001, over \$4.2 billion were flexed from FHWA to FTA. For the first 10 months of FY 2002, over \$1 billion were flexed for transit. This local decision-making is critical for sound transportation planning.

We strongly support efforts to coordinate transportation policies of the nation's human and social service programs with federal transportation policy and funding programs.

MAINTAIN THE FUNDING GUARANTEES

TEA 21 was unique in that it guaranteed some \$36 billion over the life of the bill for transit projects. The results have been dramatic! Public transportation systems across the nation rely on TEA 21 guaranteed funding levels to underwrite their investment programs. In April 17, 2002, testimony before this subcommittee, Jeffrey A. Parker discussed his report, "The Benefits of TEA 21 Funding Guarantees." Mr. Parker's report demonstrates that the benefits from the funding guarantees are realized in many ways:

- Billions of dollars of capital investments needed for expansion and state of good repair are being accelerated,
- More New Start projects have been initiated than would have been possible in the pre-TEA 21 era of annual funding uncertainty,
- More stable and reliable federal funding has leveraged more stable and reliable state and local matching revenues,
- Contracting efficiencies have cut costs and minimized inconvenience to the public during construction,
- Investments in transit assets have been protected by assuring regular funding for maintenance and capital renewal, and
- More stable capital funding is allowing manufacturers and suppliers to better meet the public transit industry's specialized needs arising from accessibility standards, air quality initiatives and other federal mandates.

With transit ridership at its highest levels in 40 years, the amount of investment required to sustain growth, avoid overcrowding, and offer an attractive alternative to highway congestion is expanding. TEA 21's funding guarantees provide the stability and predictability necessary to reduce the backlog of deferred maintenance and deliver consistent service levels. The public has responded by increasing transit usage over the past six years at almost twice the growth rates of highway and domestic air travel. To keep this strong record of accomplishment going, it is critically clear we need to maintain the funding guarantees in reauthorization legislation.

EXPEDITE PROGRAM DELIVERY

We also make a number of recommendations on policies and procedures that would enhance and strengthen public transportation in four areas: expediting program delivery; improving the planning process; streamlining the procurement process; and revising other federal programs.

Program Delivery

From streamlining the drug and alcohol-testing program to simplifying the charter bus rule, APTA is recommending a host of changes that would significantly simplify and/or improve existing federal program mechanisms. Federal reviews and audits would be coordinated and consolidated; FTA policy statements would require notices and comment; and the bus axle weight limitation would be made permanent. The rural and small transit system programs would be improved; and emergency relief authority, available under the highway program, would be extended to the transit program.

A specific example--we propose to permit bus and bus facility projects earmarked for the Elderly and Persons with Disabilities Program and the Non-Urbanized Area Formula Program to be implemented using the program guidance for those programs. Capital projects authorized under section 5309 must now comply with more stringent urbanized area program requirements. Project sponsors find it difficult to address urbanized area requirements, and often have been unable to move projects forward. This change would be quite helpful to them.

Planning Process

A range of proposals would seek to improve consistency between planning principles for highway and transit. The proposals would strengthen Metropolitan Planning Organizations (MPOs) to ensure adequate public involvement; provide environmental streamlining; support use of the Major Investment Studies (MIS) process; consolidate planning factors; encourage land use/transit linkage; and improve the new starts criteria and rankings. APTA supports modifications that would achieve the following goals:

- Reauthorization should ensure multi-modal planning and a “level playing field” for the consideration of public transportation alternatives within a multi-modal planning process;
- The planning process should serve decision-making at all levels;
- Reauthorization should promote a balance of economic, mobility, environmental, and other objectives;
- APTA supports environmental streamlining, so long as it does not create a bias against any particular mode, and so long as it does not compromise environmental protections;
- Reauthorization should ensure early, proactive, and continuous collaboration among all planning, environmental, and modal implementing agencies;
- Reauthorization should provide opportunities for early and continuing stakeholder participation, including all groups with an interest in transportation decision-making.

Procurement Process

Working in concert with APTA’s Procurement Task Force, APTA is proposing new ways to simplify federal procurements, including providing transit systems the option of buying goods and services from the GSA schedule of contracts. There have been efforts in Congress to extend this procurement choice to public transit systems via appropriations acts, but they have never been successful. Accordingly, APTA recommends that the GSA schedule process be extended to recipients of federal transit funds, which means that vehicle manufacturers and other suppliers of products to the transit industry would be able to apply to be on the GSA schedule of approved contracts. Further, costly in-state dealership requirements for the purchase of buses would be eliminated.

Program Revisions

From the highway program to the tax code, a number of proposals would bring significant improvements to other federal programs affecting transportation policy. We recommend that FHWA's CMAQ program be modified to make capital improvements to transit stations eligible for funding; the transit commute benefit would be extended to all workers and the cap increased to the same level as the parking benefit; coordination of human services with transportation policies would be enhanced. Projects such as transit fleet expansions, certain rail system improvements and station improvements that foster the goals of the Clean Air Act should be exempted from the conformity analysis.

In addition, we propose modifying the employee commute benefit to eliminate the difference between the \$100 per month tax-free transit benefit and the \$180 per month tax-free parking benefit. Currently, employers subsidize employee work trips through tax-free fringe benefits. Persons commuting in personal vehicles can receive free parking and transit users can receive transit passes. The tax-free allowance of these two benefits is not, however, equal. The parking benefit is tax-free up to \$180 per month whereas the transit pass benefit is tax free only up to \$100 per month. Transit users are limited to only a portion of the benefit available to private vehicle drivers simply because they choose to use transit. In addition to encouraging private vehicle commuting and discouraging transit commuting, the tax-free parking benefit costs the federal government \$17 billion annually in lost tax revenues. APTA recommends further reforms to equalize the tax-exempt fringe benefit for transit riders and private vehicle commuters, and supports certain revisions to the tax code to eliminate barriers that deter employers from offering the benefit.

Conclusion

Mr. Chairman, our reauthorization proposals were developed over a two-year period and represent the views of our diverse membership on ways that we think we can improve delivery of transit services and better meet the investment needs of the nation's public transportation systems. We again thank you and the Committee for your commitment to investing in the nation's transportation infrastructure and look forward to working with you on the reauthorization of TEA 21.